

Cost Effectiveness



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SB 1371 and Cost Effectiveness

- Provide for the maximum technologically feasible and cost-effective avoidance, reduction, and repair of leaks and leaking components in those commission-regulated gas pipeline facilities that are intrastate transmission and distribution lines within a reasonable time after discovery, consistent with the California Global Warming Solutions Act of 2006

Cost Effectiveness Considerations

- Cost effectiveness includes
 - Capital investments & ongoing expenses
 - Cost savings and revenue
- Cost effectiveness calculations do not include benefits
 - Avoided environmental damages
 - Avoided health impacts
 - Avoided ecosystem impacts
 - Affordability

Cost Effectiveness Considerations

- Additional cost effectiveness considerations
 - Timeframe of the analysis
 - Time value of money, including discounting and capital recovery factor
- **Transparency and consistency are paramount when comparing cost effectiveness calculations**
- Considerations outside of cost effectiveness
 - Impacts to ratepayers
 - Other pollutant impacts
 - Safety
- **There is no cost-effectiveness threshold that can be applied in the context of SB 1371**

Social Benefits

■ SB 1371

- “There is also a growing awareness that climate change impacts impose high social costs, including impacts upon the public health and economy”
- Social Cost of Methane
 - The social cost of methane for a given year is an estimate, in dollars, of the present discounted value of future damage caused by a one metric ton increase in methane emissions into the atmosphere in that year, or equivalently, the benefits of reducing methane emissions by the same amount in that year.
 - Provides a comprehensive measure of the net damages – the monetized value of net impacts from global climate change that result from an additional ton of methane
 - Damages include
 - Changes in net agricultural productivity, energy use, human health, property damage from increased flood risk, water availability, costal communities, and biodiversity